



Presentation to the NM Infrastructure Finance Conference
October 25th, 2006 - Ruidoso, NM

Water and Wastewater Funding

- NMED Construction Programs Bureau
- USDA Rural Development
- New Mexico Finance Authority & NMED Drinking Water Bureau



STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT
Construction Programs Bureau



What Is Our Mission?

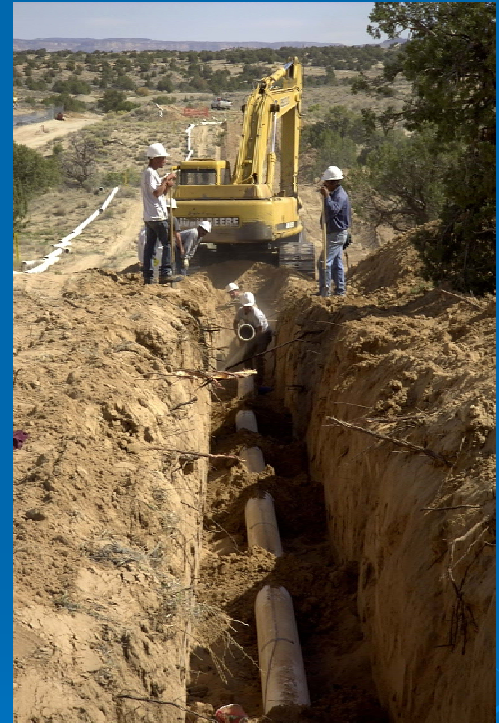
- To Protect Human Health & the Environment
- The Administration & Oversight of State and Federally Funded:
 - Drinking Water Projects
 - Wastewater Projects
 - Solid Waste Projects



What Programs Do We Administer?

The following are programs that currently have funding available:

- Special Appropriations Program (SAP)
- Clean Water State Revolving Fund Program (CWSRF)
- Rural Infrastructure Revolving Loan Program (RIP)
- Solid Waste Grant Fund Program



Special Appropriations Program

- The NM State Legislature provides grants through special appropriations for water, wastewater and solid waste projects.
- Authorized by the NM Legislature and approved by the Governor.
- Funded by general fund appropriations or by proceeds generated by the sale of severance tax bonds (STB).



Special Appropriations Program

Eligible Public Entities:

- Municipalities
- Counties
- Special Districts
- Indian Tribes
- Mutual Domestic Associations
(Incorporated under the Sanitary Projects Act)



Special Appropriations Program

Terms and Conditions:

- STB grantees required to certify need for issuance of bonds.
- Formal agreement between the community and the NMED (limited to five years).
- Administrative requirements regarding RFPs, engineering reports, plans & specifications, bid tabulations, and disbursement requests.
- NMED review and approvals required. STB projects restricted to two disbursement periods per month.



Clean Water State Revolving Fund Program

- Loan program funded by USEPA (80%) and State match (20%) appropriated through the NM Legislature.
- Provides financial assistance for engineering, construction, and rehabilitation of wastewater facilities, non-point source control projects, brownfields and groundwater protection projects.
- Assistance available for financial capability and user rate charge analysis, identification of scope of work, and completion of the environmental review process.



Clean Water State Revolving Fund Program

Eligible Public Entities:

- Municipalities
- Counties
- Sanitation Districts
- Indian Tribes



Clean Water State Revolving Fund Program

Eligible Expenses include:

- Preliminary Engineering Reports (PER) and Environmental Reviews
- Engineering design
- Construction, modification, and rehabilitation of wastewater collection and treatment facilities
- Redevelopment of contaminated sites (Brownfields) to protect groundwater



Clean Water State Revolving Fund Program

Other Eligible Expenses include:

- Storm water management facilities to protect water quality
- Non-point source pollution abatement
- Landfill closures and liner systems that protect groundwater



Clean Water State Revolving Fund Program

Terms and Conditions:

- Maximum loan term of twenty years
- Base interest rate is 3%, however interest rates between 0% and 3% are available to eligible communities that meet median household income criteria
- Loan is not executed until PER and Environmental Review is complete
- First loan payment is due one year after completion of project
- Payments due in annual installments



Rural Infrastructure Revolving Loan Fund

- State revolving fund administered as loans to local authorities for the planning, design, and construction of water and wastewater projects.
- Projects include but are not limited to the construction of wells, storage tanks, distribution systems, water treatment facilities, wastewater treatment facilities, and related equipment.



Rural Infrastructure Revolving Loan Fund

Eligible entities serving populations of 10,000 or less include:

- Cities, towns, villages or counties
- Mutual Domestic Associations
- Sanitation Districts



Rural Infrastructure Revolving Loan Fund

Eligible Expenses include:

- Engineering services
- Preliminary engineering & feasibility reports (PER)
- Acquisition of easements, rights-of-way, and water rights.
- Construction costs
- Purchase of equipment
- Related legal costs



Rural Infrastructure Revolving Loan Fund

Terms and Conditions:

- Maximum loan term of twenty years
- 3% fixed interest rate
- Maximum loan amount of \$500,000 per year
- Loan money typically available 4-6 weeks after completed application
- First payment due one year after completion of project
- Payments are due in annual installments



Solid Waste Facility Grant Fund Program

- Grant administered to local authorities for the planning, design, and construction of solid waste projects
- Projects include but are not limited to construction of new landfills, transfer stations, convenience centers, landfill closures, diversion and recycling projects and the purchase of related equipment and materials



Solid Waste Facility Grant Fund Program

- Eligible Entities:
 - Counties
 - Municipalities
 - Solid Waste Authorities
- Eligible Expenses:
 - Engineering services
 - Construction costs
 - Related equipment purchases



Solid Waste Facility Grant Fund Program

Terms and Conditions:

- Formal agreement between the eligible entity and the NMED
- Administrative requirements regarding RFP's, engineering reports, plans & specifications, bid tabulations, and disbursement requests
- NMED review and approval required



Solid Waste Facility Grant Fund Program

Grant Award Considerations:

- Projects that will mitigate existing detrimental environmental conditions
- Financial capability to properly operate and maintain the facility
- Demonstrated need for funding assistance
- Performance in implementing previous projects
- Readiness to proceed with project



NMED

Construction Programs Bureau

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State of New Mexico

Rural Development Water and Environmental Programs



Committed to the future of rural communities.

Rural Development Water and Environmental Programs

- Water and Waste Disposal Loans and Grants
- Technical Assistance Programs
- Electric Programs
- Distance Learning / Telemedicine
- Broadband Loans and Loan Guarantees



**Torreon Rincon Marquez
Water Construction Project**

Rural Development Water and Environmental Programs

Water and Waste Disposal (W&WD)
Loans and Grants



Committed to the future of rural communities.

W&WD Loans and Grants

What projects are eligible?



Water Storage Facility

W&WD Loans and Grants

What projects are eligible?



Water Supply (Includes treatment)

W&WD Loans and Grants

What projects are eligible?



Distribution System



Water Wells

W&WD Loans and Grants

What expenses are eligible?

- Reasonable engineering / architectural fees and costs
- Acquiring land & rights-of-way
- Purchasing water rights
- Connecting the user to the main service line
- Purchase / renting of equipment
- Refinance debts



W&WD Loans and Grants

Who can participate?

- Eligible participants include rural areas or towns with populations of less than 10,000
 - Municipality
 - County
 - Special Purpose District
 - Non-Profit Corporation or Cooperative
 - Federally-Recognized Indian Tribe



W&WD Loans and Grants

How does it work?

- Eligible participant submits:
 - Application for Federal Assistance (SF-424)
 - Preliminary Engineering Report
 - Environmental Information
 - Financial Statements
 - Organizational Documents



W&WD Loans and Grants

Application assistance

- Predevelopment and Planning Grants
 - Available to assist in paying costs associated with developing the application
 - Preliminary Engineering Report
 - Environmental Report
 - In order to be eligible, the community's Median Household Income (MHI) must be less than \$31,526
 - The grant can be for up to \$15,000 or 75% of the cost (whichever is less)



W&WD Loans and Grants

Technical Assistance and Training Grants

- Eligible uses:
 - Identify and evaluate solutions to water and waste disposal problems in rural areas
 - Assist applicants in preparing applications for water and waste grants made at the State level offices
 - Improve operation and maintenance of existing water and waste disposal facilities in rural areas
- Application period:
 - October 1 to December 31



W&WD Loans and Grants

How does it work?

- USDA Rural Development:
 - Reviews the completed application package
 - Offers a loan / grant package
- If the applicant accepts, USDA Rural Development issues a Letter of Conditions and obligates (reserves) the funds
 - The applicant has 180 days to meet the conditions



W&WD Loans and Grants

Loan terms

- Interest Rates
 - Poverty: 4.5%
 - Intermediate: 4.5%
 - Market: 4.5%
- Security Options
 - Accounts receivable
 - GO or Revenue Bonds
 - Lodgers' Tax
 - Contracts
 - Mortgage on the organization's facilities

W&WD Loans and Grants

Loan terms

- Repayment Terms
 - Loan only
 - Useful life of the facility, or
 - Up to 40 years
 - Grant / loan combination
 - 40 years
 - In an exceptional case, we can shorten the repayment period



W&WD Loans and Grants

THE SUNDAY JOURNAL

APRIL 10, 2005

PIPELINE THRILLS COMMUNITY



Running water is the big new thing in Rincon Marquez, southwest of Torreon, where residents celebrated with an arching spray from their water line's clean-out valve.

ROBERTO E. ROSALES/JOURNAL

Finally, Water



Committed to the future of rural communities.

W&WD Loans and Grants

Special Funding Initiatives

- Colonias
- Emergency Community Water Assistance Grants
- Native American



W&WD Loans and Grants

Colonias Earmark

- To qualify, a Colonia must be located in a county where over 50% of the county is within 150 of the Mexican border
 - Dona Ana
 - Luna
 - Grant
 - Hidalgo
 - Catron
 - Eddy
 - Otero
 - Sierra
- USDA Rural Development can offer 100% grant
 - Colonia must take a loan if it can afford it



W&WD Loans and Grants

Emergency Community Water Assistance Grant

- Congress has set aside money for the following emergencies:
 - Communities may receive a grant of up to \$500,000 when:
 - There has been a significant decline in quantity or quality of water, and
 - The decline occurred within two years of filing the application
 - Communities with an existing system who have an acute shortage or decline in water quality may receive a grant of up to \$75,000 for:
 - Repairs
 - Partial replacement
 - Significant maintenance



W&WD Loans and Grants

Native American Earmark

- Congress has set aside money for projects on Tribal lands
- The project must serve a Federally-Recognized Indian Tribe
 - The Tribal project is eligible to receive 100% grant, up to \$1 million
- There is no state allocation so projects must compete with applications from other states





State of New Mexico

Rural Development Community Facility Programs



Community Facilities

What projects are eligible?

- Projects that:
 - Provide an essential service to a single community, county, or several communities
 - Provide a service that is typically provided by a local unit of government
 - Are needed for the orderly development of the rural community



Community Facilities

What projects are eligible?

- Health Care Facilities
 - Hospitals
 - Clinics
 - Nursing Homes
- Public Safety Facilities
 - Fire Stations / Trucks
 - Fire Equipment
 - Police Stations
 - Ambulances
- Public Service Facilities
 - Community Buildings
 - Libraries
 - Fair Grounds
 - Day Care Centers



Eligible Community Facilities
Tier 1: Ambulances, Fire Stations, Police Stations, Day Care Centers, Libraries, Fair Grounds, Community Buildings, Hospitals, Clinics, Nursing Homes

Community Facilities

What expenses are eligible?

- Reasonable engineering / architectural fees and costs
- Acquiring land & rights-of-way
- Purchasing water rights
- Purchase / renting of equipment
- Refinance debts (can't be more than 50% of the project)



Community Facilities

Special Initiatives

- Economic Impact Grant Initiative
 - Nationally competed
 - Pre-application due in early May
 - Average award is approximately \$150,000
- Tribal College Grant Initiative





State of New Mexico

Rural Development Water and Environmental Programs



Committed to the future of rural communities.

Drinking Water Revolving Loan Fund

Rob Pine
Drinking Water Bureau
New Mexico Environment Department

John Brooks
New Mexico Finance Authority

Purpose and Intention

To fund projects that:

- Address present or prevent future violations of health-based drinking water standards
- Are necessary to maintain compliance with existing national primary drinking water regulations for contaminants with acute and chronic health effects
- Focus on the needs of small and disadvantaged water systems

The Fund

- The DWRLF is funded by an annual grant from EPA which averages \$8,000,000 and the State matches with approx. \$2,000,000
- 69% of the grant goes to the DWRLF for loans to water systems, 4% to NMFA for administration for DWRLF, 27% for DWB programs
- Loans available to all community water systems and to non-profit non-community water systems that are in regulatory compliance or will come into compliance as a result of the loan

What Projects Can Be Funded?

DWRLF loans can be used for:

- Treatment
- Transmission/Distribution
- Source
- Storage
- Regionalization

What Projects Cannot Be Funded?

DWRLF loans cannot be used for:

- Dams
- Acquisition of water rights (except as part of a system purchase)
- Reservoirs (except for finished water and treatment)
- Projects primarily for fire protection
- Projects that primarily address growth

The Process

- Project Interest Forms are sent to all eligible water systems in October
- A capacity assessment will be conducted on all systems that return the form with an eligible project
- Project and capacity information will be used to rank the projects resulting in a Comprehensive Priority List
- Capacity assessment information will be used to determine fundability resulting in a Fundable Priority List (these systems may apply for a DWRLF loan)
- The Fundable Priority List is finalized by June 30

The Process (cont...)

Fundability Criteria:

Technical Capacity	
System must meet the following:	Have a certified operator
Managerial Capacity	
System must have at least 2 of the following:	Written operating procedures
	Written job descriptions for all staff
	Written preventative maintenance plan
	Written emergency response plan
	An emergency source
	Written and implemented cross-connection control program
	Security measures
	An approved and implemented source-water protection plan

The Process (cont...)

Fundability Criteria:

Financial Capacity	
System must have at least 4 of the following:	A budget
	A written and adopted rate structure
	Rates that cover operation and maintenance
	Rates that cover infrastructure repair and replacement
	Rates that cover staffing
	Rates that cover emergency/reserve fund
	More than 90% of customers paying water bills
	Metering of customers (if the project does not include meters). Rates must be based on metered use.

The Process (cont...)

- Systems with a project on the Fundable Priority List may submit a loan application to NMFA starting July 1
- Projects with higher priority may be bypassed if an application has not been submitted
- A detailed financial assessment will be done by NMFA
- The project will go to the NMFA Board for approval

The Process (cont...)

- A PER is completed (\$25k approx.)
 - Can be paid from NMFA LGPF or Set Asides
- The project will go through an environmental review process (unless it qualifies for a categorical exclusion)
 - Can be paid from Set-Asides
- Plans and Designs are completed along with environmental review process
- Plans and designs approved along with environmental review

The Process (cont...)

- Bids and construction company awarded
- Notice to Proceed from NMFA
- Close on construction loan
- Construction is two year period in which entity pays interest only on incurred cost
- Construction completed
- Finalize the final loan documents and set permanent Debt Service Schedule

Current Interest Rates

- Private for profit: 4%
- Private non-profit: 3%
- Public non-disadvantaged*: 2%
- Public disadvantaged: 0% up to \$600,000, 2% after that
- Term up to 30 years

*Disadvantaged: MHI < 90% of state MHI

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